

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

*United States Attorney
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For Immediate Release

NEWS RELEASE SUMMARY - April 25, 2005

United States Attorney Carol C. Lam announced that Rozann Zelke (formerly known as Rozann Sweeney and hereinafter referred to as “Sweeney”) and Carolyn Freismuth pled guilty in federal district court in San Diego today in connection with their roles in promoting a pyramid scheme generally known as “The Garden” or “The Garden Circle” throughout San Diego in 2001 and 2002. Sweeney and Freismuth entered their guilty pleas before United States District Judge Irma E. Gonzalez. In connection with their pleas, Freismuth admitted her guilt to one count of mail fraud, and Sweeney admitted her guilt to one count of mail fraud and one count of tax evasion for the 2001 tax year.

As part of the plea agreements, Sweeney and Freismuth admitted that they promoted and profited from their leadership of several “gifting” clubs which flourished in San Diego in January 2001 through November 2002. These clubs went by the names of “The Garden” or “The Garden Circle,” or sometimes by other names, including “Women Empowering Women,” “Feminine Philanthropy/Philanthropic Circle,” “Prosper Forever,” and “Pay It Forward,” among others.

According to Assistant U.S. Attorney Kyle P. Hoffman, the prosecutor handling the case, documents filed with the court and admissions by Sweeney and Freismuth established that these “gifting clubs” were simple pyramid schemes dressed up with flowery language. In “The Garden,” for example, each individual pyramid had four levels, with the lowest level of the pyramid consisting of eight “buds,” the next level consisting of four “blooms,” followed by two “blossoms,” and capped with one “bouquet” at the top of the pyramid. On entry to the pyramid or “garden,” as it was called, each new entrant “gifted” \$5,000 to the bouquet. Once all eight bud positions were filled, and the bouquet had received a total of \$40,000, the one pyramid would split into two separate pyramids, and the whole process would begin anew. The schemes included telling new recruits that their entry dollars were considered gifts under the federal tax code, and that ultimately the new recruits would also receive \$40,000, all nontaxable. However, contrary to these representations, all of these “gifting” schemes were simple pyramid schemes, completely dependent for any individual’s financial success on the continuous recruitment of new members – a process that, for simple mathematical reasons, must quickly come to an end.

Sweeney’s plea agreement details that she obtained not less than \$70,000 and not more than \$400,000 from her participation in the pyramid schemes. Sweeney also admitted that although she received \$46,000 from her participation in these schemes in 2001, she failed to declare the receipt of this money on her federal income tax return for the year 2001.

Freismuth admitted that she received over \$40, 000 from her participation in the schemes.

United States Attorney Lam said, “Pyramid schemes come dressed up in all kinds of pretty-sounding disguises, and in all sizes. But whatever their size, whatever their facade, people should recognize them for what they are: scams.”

Denise L. Rubin, IRS Criminal Investigation Special Agent in Charge for San Diego stated, "Pyramid schemes prey upon trusting individuals and steal from them their hard earned money. People should be wary that when something sounds too good to be true – it probably is."

Daniel R. Dzwilewski, Special Agent in Charge, San Diego Division of the FBI, commented, "Regardless of the venue, whether it occurs in back-alley boiler rooms or elite neighborhoods, a pyramid scheme is still a pyramid scheme and it is illegal."

Judge Gonzalez accepted Sweeney's and Freismuth's guilty pleas and scheduled their sentencing for August 12, 2005 at 9:00 a.m. for Sweeney and July 11, 2005 at 9:00 a.m. for Freismuth.

DEFENDANTS **Criminal Case Number: 04CR1173**

Rozann Zelke AKA: Rozann Sweeney

Carolyn Freismuth

SUMMARY OF CHARGES

Title 18, United States Code, Section 1341: Mail Fraud
Maximum sentence: Five years in prison and fine not to exceed \$250,000

Title 26, United States Code, Section 7201: Tax Evasion
Maximum sentence: Five years in prison and fine not to exceed \$250,000

AGENCIES

Internal Revenue Service, Criminal Investigation Division
Federal Bureau of Investigation
San Diego Police Department Vice Unit